

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes*

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QUOTE OF THE WEEK

"There's a cure for our health care problems. That cure is not to demand more government but less government. I challenge anyone to identify a problem with health care in America that is not caused or aggravated by federal, state and local governments. And, I challenge anyone to show me people dying on the streets because they don't have health insurance." --- Walter Williams, Washington Times, February 14, 2007

AROUND THE STATE

*****Pork or Necessity*****

All the editorials demanding more highway dollars for particular regions of the state make the case that the big transportation bond that the voters approved last November is nothing more than a pile of pork to be divided up. The California Transportation Commission is being attacked by all those whose expectations exceeded the reality and no one, not even the Governor, is rising up to defend the Commission's effort.

The Commissioners, for their part, have failed to make the case for their list. What happened to objective criteria? It should be easy to prioritize a list of proposed projects by (1) how many lives would be saved with a safer road, (2) how many hours would be saved by motorists with less congestion, (3) how easy the project is to proceed with right-of-way and environmental issues, (4) how quickly can it be built, (5) and how much does it cost. If the Commission would explain the criteria then it would force the critics to show that their projects actually merit a higher standing. The threat from legislators for the Commission to bend to their will, if successful, will end any hope of fairness in allocating scarce transportation dollars.

*****How Much Gasoline Does It Take to Run a Bicycle Race?*****

It was fun to watch the Tour of California bicycle race speed by under my window on Capitol Mall. A colorful and quick passing of the racers was followed by several minutes of chase cars, passenger vans, cargo vans, ambulances, CHP patrol cars, city police, and many motorcycles plus 5 helicopters circling overhead. The racers themselves may be environmentally correct but their support teams are burning fossil fuels at a rapid rate.

*****Citizens for the California Republic*****

There is a new conservative gathering place. Paying homage to Ronald Reagan's Citizens for the Republic, Senator Tom McClintock has sponsored the Citizens for the California Republic. It is to be a forum for people to discuss issues with each other and energize activists in every legislative district to keep a watch on their legislators.

I support these great efforts to energize and activate the conservatives in California. Conservatives, like liberals, are distinct from many political professionals in that they believe that ideas set the course of a state and they enjoy defending their positions with all as they seek to influence the policy decisions of their governments.

You can be of part of this excellent effort by going to: www.CaRepublic.com

UNDER THE DOME

*****Words Matter*****

Last week I recommended Frank Luntz's new book, "Words That Work." I could not help but see application for it in California right now. The premise of the book is that the words used in political communication and policy debates matter a great deal. Consider the current debate about the future of water storage in our state. How can water be stored? In a dam? In a reservoir? Same thing, right? They may be the same in function, but the average Californian who hears those words thinks about them differently. According to pollster Steve Kinney, Californians like reservoirs, but they do not like dams. It may not be logical, but it is reality. So if policymakers want to increase water storage, they should phrase their proposals for reservoirs, not dams.

One of the challenges of choosing good words to explain policy proposals in California is that the proponents of the ideas are not the same people who write the summaries that most people, including the media who cover the subjects, actually read. A legislator may draft a bill, but attorneys in the Legislative Counsel's office write the summary that becomes shorthand for all future discussion of that bill. Same thing with initiatives: the advocates submit the language of the measure, but the Attorney General's staff writes the summary. That summary is often all that average voters read, but the language in that brief paragraph may be very different than what proponents believe their measure is really about. This is quite significant because Kinney's research shows that most voters make up their minds after reading the AG's summary. Yet, the proponents' ads may use very different words to explain their intent. Voters sense the disconnect and vote no just because there are suspicious.

ISSUE FOCUS

*****What Post-Partisanship Could Look Like*****

I have been thinking about what Governor Schwarzenegger meant by “post partisan” in his state of the state address. Rich Gallen has focused on what such a world might be like. On his blog <http://www.mullings.com/01-08-07.htm>

Gallen commends the Governor for pointing out that issues like roads, health care and air quality are not inherently partisan. Gallen calls for the two political parties to agree on rules of engagement for dealing with such nonpartisan issues and then, thinks ahead to what the debate on building roads would sound like under such rules.

He writes: “Gov. Schwarzenegger is correct: Better roads are not a partisan issue. But if you decide to expand the highway system, there are questions which have to be answered, some of which are:

- Who will pay for the new road? Who will benefit from it?
- Are they the same? If not, is it fair?
- Will the road expand a four-lane boulevard into a six or eight lane highway? If so, who’s [sic] homes or businesses will have to be torn down to make room?
- How do we reconcile our desire to wean our society away from oil dependency with the need for more highways on which to burn oil-derived fuels over longer distances and at higher speeds?
- Will a new road add to urban sprawl? Will it accelerate major cities turning into night-time ghost towns because it will make it even easier and more appealing for commuters to drive into work in the morning, then leave in the evenings to their farther away lawnsaped homes leaving downtown abandoned to gangs and drug dealers?”

Those policy questions are on target, and they are much more enlightening to the public than the partisan finger pointing that so often characterizes legislative debates. Yet, if such debate really occurred, the public might be amazed to learn that there really are deeply held philosophical beliefs that lead to very different answers to such questions. Reconciling those positions is the purpose of politics and we cannot remove the very essence of public discourse. However, we can demand that such disagreements be civil, based in truth and resolved courteously.

TAX TIPS

*****Independent Distributors and Sales Tax*****

We all know people who have a home-based business, often just a small venture based on a hobby or to help a stay-at-home mom earn extra income. They sell jewelry or craft products or other small items, all of which are tangible personal property subject to the sales tax. I heard a story about one such business this week that was disturbing. This independent sales person buys her products at a reduced price from her distributor and pays sales tax to the company for those products. She then increases the prices for resale to customers and charges them sales tax on the higher price. However, she is not sending that sales tax to the state and says that her accountant told her she does not have to because she earns only a nominal amount from the business. I

would like to remind everyone that every penny of sales tax you collect must be remitted to the state; there is no threshold income level or net sales number or business size requirement. If you collect any sales tax for the state, you must turn it over to the state. If you are engaged in a small business of this type and are not sure about how the sales tax on your products gets paid, I urge you to go to this link to learn about obtaining a state seller's permit and keeping yourself above the law:

<http://www.boe.ca.gov/info/reg.htm>

And, of course, you can always contact me and I can help get detailed tax information for your situation.

MISCELLANY

A Good Read

If you have been fortunate enough to read any recent commentaries by Thomas Sowell, you will be eager to pick up my recommendation of his book "Basic Economics: A Citizens Guide to the Economy, Revised and Expanded." Sowell is a brilliant thinker and writer who has a gift for being able to take seemingly complex economic issues and distilling them to a completely understandable and practical essence. This book walks through some basic economic principles that tend to be taught using charts and graphs and with confusing terminology. Sowell avoids those pitfalls and explains what you need to know about, say, banking or prices. He uses colorful examples, say of a trip to India and the difference between buying items in the bazaar versus using a government-run Indian bank, that put the abstract concept of economics into terms that make sense in our daily lives.

New Citizenship Test

To see the official answers to the pilot U.S. citizenship questions below, go to <http://www.uscis.gov/portal/site/uscis/menuitem.5af9bb95919f35e66f614176543f6d1a/?vgnextoid=dcf5e1df53b2f010VgnVCM1000000ecd190aRCRD>

111. Who was President during World War I?
112. The United States fought Japan, Germany, and Italy during which war?
113. What was the main concern of the United States during the Cold War?
114. What major event happened on September 11, 2001, in the United States?
115. What international organization was established after World War II (WWII) to keep the world at peace?
116. What alliance of North America and European countries was created during the Cold War?

117. Who was President during the Great Depression and World War II? *
118. Which U.S. World War II general later became President?
119. What did Martin Luther King, Jr. do?
120. Martin Luther King, Jr. had a dream for America. What was his dream?

BOE AND LEGISLATIVE DATES

February 27-28, 2007 --- Board of Equalization meets in Culver City.

February 27, 2007 --- Business and Property Taxpayers' Bill of Rights hearings in Culver City at approximately 1:30pm.

March 20, 2007 --- Board of Equalization meets in Sacramento.

March 20, 2007 --- Business and Property Taxpayers' Bill of Rights hearings Business and Property Taxpayers' Bill of Rights hearings in Sacramento at approximately 1:30pm.

March 29, 2007 --- Spring Recess begins upon adjournment (J.R. 51(a)(2)).

March 30, 2007 --- Cesar Chavez Day.

April 8, 2007 --- Easter.

April 9, 2007 --- Legislature reconvenes from Spring Recess. (J.R. 51(a)(2)).

NOTABLE DATES/ HISTORY

February 26, 1919 --- The United States Congress established the Grand Canyon as a national park.

February 26, 1993 --- A terrorist bomb explosion killed five people and badly damaged the World Trade Center in New York, New York.

February 27, 1922 --- The United States Supreme Court declared the Nineteenth Amendment constitutional, thereby guaranteeing women's voting rights.

February 28, 1784 --- English evangelist John Wesley signed a deed of declaration as the charter of Wesleyan Methodism and ordained two "Presbyters" for the American Mission.

February 28, 1849 --- "The California" was the first ship of gold seekers to arrive in San Francisco, California.

March 1, 1872 --- President Ulysses S Grant signed a bill creating Yellowstone National Park, making it the first national park in the United States.

March 1, 1875 --- The United States Congress passed the Civil Rights Act of 1875, guaranteeing African Americans equal access to public facilities.

March 1, 1913 --- Federal income tax took effect (16th amendment).

March 1, 1961 --- President John F. Kennedy created the Peace Corps by executive order.

March 2, 1836 --- Texas declared its independence from Mexico; the United States did not recognize the new Republic of Texas.

March 2, 1877 --- The United States Congress awarded all 20 disputed electoral votes in the previous December's presidential election to Republican Rutherford B. Hayes.

March 3, 1791 --- The United States Congress passed the nation's first tax law. The law divided the country into 14 tax zones and levied a duty on, among other items, distilled spirits.

March 3, 1931: --- The United States Senate made the “Star-Spangled Banner,” written in 1814 by Francis Scott Key, the national anthem of the United States.

March 4, 1787 --- The United States Congress met for the first time in New York City and the U.S. Constitution went into effect.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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